

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-13 L-03 H-01 PA-01
PRS-01 SP-02 USIA-06 AID-05 EB-07 NSC-05 CIEP-01
SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03
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R 270811Z DEC 76
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 4278

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USADB

FOR NAC AGENCIES

PASS TREASURY FOR ZINMAN

E O 11652: ADS, DECLAS 6/27/77
TAGS: EAID, EFIN
SUBJ: ADB: MEASURES TO PERMIT IMPLEMENTATION OF 1977 CONCESSIONAL
LENDING PROGRAM

1. ON DECEMBER 22, DIRECTORS AND ALTERNATES
REPRESENTING ADF DONOR COUNTRIES MET WITH BANK MANAGEMENT
TO CONSIDER TWO MEASURES TO FACILITATE PLANNING AND IMPLE-
MENTATION OF 1977 CONCESSIONAL LENDING PROGRAM, NAMENLY:
(A) EARLY RELEASE OF SECOND INSTALLMENTS TO ADF REPLENISH-
MENT AND (B) AN INTERIM SET-ASIDE ACTION BY BOARD OF
GOVERNORS, ACTING UNDER ARTICLE 19.1 (I) OF ARTICLES OF
AGREEMENT. PARTICIPANTS HAD PREVIOUSLY BEEN GIVEN NOTE
FROM GENERAL COUNSEL DESCRIBING PURPOSE OF MEETING.

2. ASNQI MEETING DATE, RESOURCES OF SPECIAL FUNDS TOTALED
\$893.19 MILLION, WHILE LOAN APPROVALS FROM SPECIAL FUNDS BY
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YEAR-END WOULD BE \$887.55 MILLION. THIS WOULD LEAVE
BALANCE OF JUST \$6 MILLION UNCOMMITTED AND AVAILABLE
TO COVER EXCHANGE RATE ADJUSTMENTS AS OF DECEMBER 31,
1976. (HOWEVER, AT DECEMBER 23 MEETING OF BOARD OF
DIRECTORS, AUSTRALIAN DIRECTOR ANNOUNCED THAT HIS
GOVERNMENT'S \$10.6 MILLION FIRST INSTALLATION TO ADF

REPLENISHMENT HAD ARRIVED PREVIOUS DAY, AND FRENCH DIRECTOR INFORMED THAT ITALIAN PARLIAMENT HAD RATIFIED ITS CONTRIBUTION TO INITIAL ADF MOBILIZATION OF ABOUT \$12 MILLION EQUIVALENT, AT CURRENT EXCHANGE RATES, AND ABOUT \$7.6 MILLION FOR ITS FIRST INSTALLMENT TO REPLENISHMENT.) CONTRIBUTIONS TO REPLENISHMENT STILL DUE FROM NEW ZEALAND AND SWITZERLAND WOULD TOTAL ABOUT \$4.7 MILLION. MANAGEMENT ALSO NOTED THAT U.S. GOVERNMENT IS CONSIDERING POSSIBLE REQUEST TO CONGRESS FOR USFY1977 SUPPLEMENTARY APPROPRIATION FOR \$25 MILLION STILL OUTSTANDING UNDER U.S. INITIAL RESOURCE MOBILIZATION. REGARDING U.S. ALLOCATION OF \$180 MILLION FOR ADF REPLENISHMENT, MANAGEMENT SAID CONCERNED U.S. OFFICIALS PROPOSE TO SEEK EARLY AUTHORIZATION FOR ENTIRE CONTRIBUTION AND APPROPRIATION OF A FIRST INSTALLMENT IN FY 1976 BUDGET BEGINNING OCTOBER 1, 1977.

3. CONCLUSION REACHED BY MANAGEMENT WAS THAT SECOND INSTALLMENT OF REPLENISHMENT CONTRIBUTIONS OF DONOR COUNTRIES OTHER THAN UNITED STATES WAS MAIN SOURCE OF FUNDS TO COVER 1977 CONCESSIONAL LENDING PROGRAM. IF ALL COUNTRIES WHICH HAVE ALREADY CONTRIBUTED FIRST INSTALLMENTS PLUS AUSTRALIA, ITALY AND SWITZERLAND WOULD CONTRIBUTE SECOND INSTALLMENTS, THIS, WITH OTHER AVAILABLE AMOUNTS WOULD BE JUST SUFFICIENT TO ENABLE BANK TO REACH OR APPROACH CLOSE TO \$300 MILLION TARGET FOR 1977 LENDING PROGRAM. (NOTE: TOTAL LOANS IN 1976 AMOUNTED TO \$775.90 MILLION, OF WHICH \$549 MILLION WERE ORDINARY CAPITAL LOANS AND \$236 MILLION WERE SPECIAL FUNDS.)
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4. WHILE SECOND INSTALLMENTS ARE SCHEDULED FOR RELEASE BY JUNE 30, 1977, THIS ASSUMES THAT SPECIFIED QUOTE TRIGGER FIGURES UNQUOTE OF \$650 MILLION IN CONTRIBUTION COMMITMENTS AND \$200 MILLION IN CONTRIBUTION PAYMENTS HAVE BEEN REACHED. HOWEVER, EVEN IF ALL THE CURRENT CONTRIBUTORS TO ADF REPLENISHMENT (INCLUDING AUSTRALIA) PLUS ITALY, NEW ZEALAND AND SWITZERLAND COME FORWARD, RESPECTIVE TOTALS WILL RISE TO ONLY \$570.3 MILLION IN COMMITMENTS AND ABOUT \$192 MILLION IN PAYMENTS. THUS, PARTICIPATION BY U.S. IS NECESSARY TO MEET TRIGGER FIGURES, BUT SUCH PARTICIPATION COULD NOT OCCUR BEFORE OCTOBER 1, 1977 AT EARLIEST.

5. MANAGEMENT EXPLAINED THERE WERE THREE BASIC WAYS IN WHICH DONOR COUNTRIES COULD CONSIDER RELEASING SECOND INSTALLMENTS WITHOUT WAITING FOR U.S. PARTICIPATION:

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(A) BY UNILATERAL ACTION BY EACH INDIVIDUAL CONTRIBUTOR;
(B) BY A MULTILATERAL ACTION OF MOST CONTRIBUTORS ACTING
JOINTLY; OR (C) BY FORMAL ACTION OF BOARD OF GOVERNORS
TO MODIFY REPLENISHMENT ARRANGEMENTS BY REDUCING
TRIGGER FIGURE FOR RELEASE OF SECOND INSTALLMENTS. FROM
MANAGEMENT'S VIEW, METHOD (C) APPEARED TO BE MOST
APPROPRIATE AND EFFECTIVE. IN ANY EVENT, MANAGEMENT
URGED THAT ANY ACTION BE TAKEN AS EARLY AS POSSIBLE IN
1977 AND IN SUCH MANNER AS TO BE COMPLETED NOT LATER
THAN TENTH ANNUAL MEETING IN APRIL. MEANWHILE, MANAGE-
MENT NOTED THAT SOME \$47 MILLION COULD STILL BE SET ASIDE
FROM ORDINARY CAPITAL RESOURCES TO SPECIAL FUNDS WITHIN
CEILING OF 10 PERCENT OF PAID-IN CAPITAL UNDER ARTICLE
19.QKI) OF BANK CHARTER. THUS, IF TEN CURRENT DONORS
WERE PREPARED TO ASSURE BANK EARLY IN 1977 THAT THEIR
SECOND INSTALLMENTS WOULD BE MADE AVAILABLE IN ADVANCE
OF U.S. PARTICIPATION, BANK COULD CONSIDER RECOMMENDING
THAT BOARD OF GOVERNORS AUTHORIZE SETTING ASIDE TO ADF
A FURTHER \$47 MILLION FROM OC RESOURCES SUBJECT TO
FOLLOWING QUALIFICATIONS: (A) NO RESOURCES WOULD ACTUALLY
BE TRANSFERRED TO ADF UNLESS AND UNTIL THEY WERE NEEDED
FOR LOAN DISBURSEMENT PURPOSES; AND (B) AMOUNTS SO SET
ASIDE WOULD BE RETURNED TO OC RESOURCES AS AND WHEN
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FURTHER CONTRIBUTED RESOURCES WERE RECEIVED, UNTIL FULL AMOUNT HAD BEEN RECOVERED.

6. CANADIAN DIRECTOR SAID HE HAD COMMENTS FROM OFFICIALS (NOT MINISTERS) IN CANADA AND DENMARK, WHO EXPRESSED WILLINGNESS TO CONSIDER ANY REASONABLE ACTION INCLUDING ACTION ON SET ASIDES. CANADIAN DIRECTOR INDICATED A PREFERENCE FOR MULTILATERAL ACTION RATHER THAN REDUCING TRIGGER FIGURE. AUSTRALIAN DIRECTOR SAID HIS GOVERNMENT (AGAIN WITHOUT CONSULTING MINISTERS) WAS DISPOSED TO CONSIDER THE MATTER FAVORABLY, AND, WHILE NOT ATTRACTED TO CHANGING TRIGGER FIGURE, WAS NOT OPPOSED TO DOING SO. JAPANESE DIRECTOR SAID HE HAD NO INSTRUCTIONS. WHILE HE SAW NO DOMESTIC LEGISLATIVE PROBLEM IN REDUCING TRIGGER FIGURE, HE STRESSED THAT MULTILATERAL SUPPORT ASPECT IS VERY IMPORTANT TO JAPAN AND THAT THERE WAS A NEED FOR CONSENSUS AMONG DONORS IF TRIGGER FIGURE WAS TO BE REDUCED. FRENCH DIRECTOR THOUGHT HIS GROUP OF COUNTRIES WOULD JOIN CONSENSUS ON QUESTION OF REDUCING TRIGGER FIGURE.

7. U.K. DIRECTOR REMARKED THAT U.K. AND GERMANY WOULD PREFER TO DEFER DECISION OR EVEN DEBATE ON ADVANCE CONTRIBUTIONS UNTIL MORE IS KNOWN ABOUT PRESIDENT FORD'S BUDGET OR PRESIDENT-ELECT CARTER'S IDEAS. AUSTRALIAN DIRECTOR SAID HE THOUGHT THAT REDUCING TRIGGER FIGURE WOULD REDUCE PRESSURE ON U.S. U.S. DIRECTOR RESPONDED THAT HE BELIEVED TRIGGER ELEMENT HAS LITTLE EFFECT ON ATTITUDES OF U.S. ADMINISTRATION OR CONGRESS. HE LIMITED HIS OTHER REMARKS TO EFFECT THAT MANAGEMENT HAD EXPRESSED U.S. SITUATION ACCURATELY.

8. GENERAL CONSEL EXPLAINED THERE WERE CONSIDERABLE TECHNICAL ADVANTAGES IN REDUCING TRIGGER FIGURE SINCE IT WOULD OBVIATE NECESSITY OF CONTINUING AND PERHAPS COMPLICATED NEGOTIATIONS WITH INDIVIDUAL DONORS. LIMITED OFFICIAL USE

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CANADIAN DIRECTOR SUGGESTED THAT GROUP RECONVENE WHEN VIEWS OF JAPAN, GERMANY AND UNITED KINGDOM ARE KNOWN. HE ASKED MANAGEMENT TO PREPARE PAPER ON ADVANTAGES/DISADVANTAGES OF PROPOSALS IN PARA. 5 (B) AND (C) ABOVE.

9. PRESIDENT SUGGESTED ANOTHER MEETING OF THIS GROUP BE HELD AROUND JANUARY 21. THIS DATE WAS SELECTED ON ASSUMPTION THAT U.S. BUDGET WOULD HAVE BEEN PRESENTED TO CONGRESS BY ABOUT JANUARY 15. VICE PRESIDENT ASKED U.S. DIRECTOR TO ADVISE BANK MANAGEMENT AS SOON AS INFORMATION IS AVAILABLE ON ADF PROPOSAL IN USFY 1978 BUDGET. VICE PRESIDENT NOTED THAT TWO PROJECTS FOR

FINANCING FROM ADF RESOURCES ARE READY FOR PRESENTATION
TO BOARD WHILE TWO ADDITIONAL PROJECTS ARE IN PROGRESS.
HE ADDED THAT MANAGEMENT WAS PLANNING TO PROCEED WITH
PROCESSING THESE PROPOSALS AND SEEKING CONDITIONAL
APPROVAL OF BOARD OF DIRECTORS SO THAT CONSULTING SERVICES
CAN PROCEED, ALTHOUGH AT BORROWERS' OWN RISK.
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